

# THE COURIER

Monthly Newsletter

October 2017

## Dairy Outlook

The global market for milk fat has continued to be tight. The September average Western Europe export butter price reached a record high of \$3.65 per pound, and the Oceania price was \$2.82 per pound. Both foreign export prices were higher than the U.S. wholesale domestic price of \$2.53 per pound. For the 2 weeks ending October 13, Western Europe and Oceania export prices for butter remained high but declined to \$3.43 and \$2.66 per pound, respectively. As milk has flowed into production of high milk-fat products, skim solids have become abundant, driving down prices for SMP/NDM. The September Western Europe SMP price averaged \$0.89 per pound at the midpoint of the reported range, and the Oceania price was \$0.88 per pound. The U.S. wholesale domestic price for NDM in September was \$0.85 per pound, a little lower than the foreign export prices.

### Dairy Forecasts for 2017

Based on recent cow numbers, the forecast for the 2017 milking herd has been lowered by 5,000 head in the fourth quarter. With strengthening year-over-year growth in yield per cow since June, the forecast for production per cow has been raised to 23,010 pounds for the year, 30 pounds higher than last month's forecast. The milk production forecast for 2017 is now 216.2 billion pounds, 0.2 billion pounds higher than last month's forecast.

As domestic butter prices have remained significantly lower than foreign export prices, the 2017 forecast for exports on a milk-fat milk-equivalent basis has been raised to 9.5 billion, 0.3 billion more than last month's forecast. With strengthening imports of butter, the forecast for imports on a milk-fat basis is 6.2 billion pounds, 0.1 billion more than last month. Ending stocks on a milk-fat basis have been raised to 13.0 billion pounds for 2017, as high cheese stocks are expected to persist. Domestic use is now forecast at 211.7 billion pounds for the year, 0.1 billion lower than the previous forecast.

Recent strength in cheese prices has motivated an increase in the cheese price forecast for the fourth quarter; the cheddar cheese price is now forecast at \$1.625-\$1.635 per pound for the year.

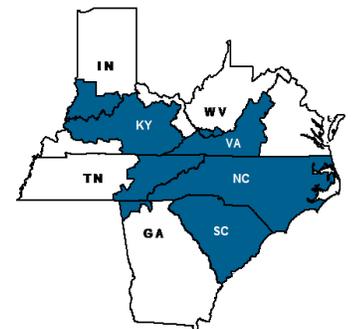
*Dairy Outlook, cont'd on pg. 3*

## Feed Outlook

USDA's National Agricultural Statistics Service (NASS) October *Crop Production* report raised the projected corn yield 1.9 bushels per acre. The combined effect of a 0.4-million decline in estimated harvested acreage will result, if realized, in a U.S. corn crop of 14,280 million bushels, 95.6 million higher than last month and the second-highest ever.

Feed and residual corn use for 2017/18 is projected 25 million bushels higher at 5,500 million as a result of larger supplies. Food, seed, and industrial (FSI) use is raised 10 million bushels this month on higher pace of corn used for glucose and dextrose, now projected at 380 million bushels. Strong demand during 2016/17 is expected to continue into 2017/18. Total FSI use is projected at 6,935 million bushels, 44.6 million higher than 2016/17.

*Feed Outlook, cont'd on pg. 3*



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## Appalachian Statistical Summary

	SEPTEMBER 2017	AUGUST 2017	SEPTEMBER 2016
Uniform Price	\$19.06	\$19.53	\$18.56
Class I Price	20.11	20.12	19.96
Class II Price	16.80	17.56	14.66
Class III Price	16.36	16.57	16.39
Class IV Price	15.86	16.61	14.25
Uniform Skim Milk Price	\$9.09	\$9.31	\$10.55
Class I Skim Milk Price	9.73	9.95	11.57
Class II Skim Milk Price	7.03	7.25	6.79
Class III Skim Milk Price	6.59	6.25	8.61
Class IV Skim Milk Price	6.08	6.29	6.39
Uniform Butterfat Price	\$2.9404	\$3.0120	\$2.3927
Class I Butterfat Price	3.0631	3.0059	2.5115
Class II Butterfat Price	2.8629	3.0179	2.3152
Class III Butterfat Price	2.8559	3.0109	2.3082
Class IV Butterfat Price	2.8559	3.0109	2.3082

### PRODUCER MILK:

Class I	341,166,317	354,031,717	322,486,752
Class II	77,228,234	83,846,878	72,476,339
Class III	17,889,823	25,659,287	14,755,195
Class IV	37,095,167	30,812,665	25,686,774
<b>Total Producer Milk</b>	<b>473,379,541</b>	<b>494,350,547</b>	<b>435,405,060</b>

### PERCENT PRODUCER MILK IN:

Class I	72.07	71.62	74.07
Class II	16.31	16.96	16.64
Class III	3.78	5.19	3.39
Class IV	7.84	6.23	5.90

### F.O. 5 STATS FOR SEPTEMBER 2017:

#### The Uniform Price

for September 2017 was \$19.06 per cwt., an increase of \$0.50 from September 2016.

#### Total Class I Milk

for September 2017 was 341,166,317 pounds, an increase of 18.7 million pounds, or 5.8 percent, compared to September 2016.

#### Class I Utilization

was 72.07 percent for September 2017, an increase of 0.5 percentage points from August 2017.

#### Total Producer Milk

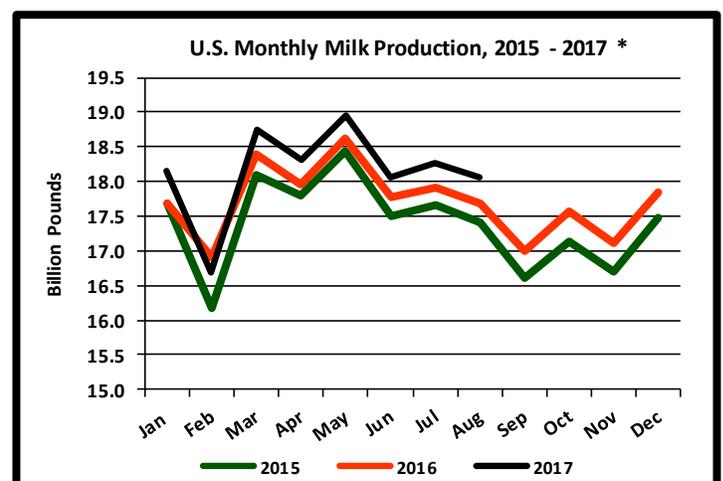
for September 2017 was 473,379,541 pounds, an increase of 38.0 million pounds, or 8.7 percent, compared to September 2016.

## August Milk Production in the US up 2.0%

Milk production in the United States during August totaled 18.1 billion pounds, up 2.0 percent from August 2016.

Production per cow in the United States averaged 1,919 pounds for August, 24 pounds above August 2016.

The number of milk cows on farms in the United States was 9.41 million head, 71,000 head more than August 2016, but unchanged from July 2017.



\*Based on entire U.S. production

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## Dairy Outlook, cont'd from pg. 1

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With recent declines in spot butter prices and higher expected milk production, the 2017 butter price is now forecast at \$2.335-\$2.365 per pound. Due to high stock levels, higher expected milk production, and recent price declines, NDM and dry whey price forecasts have been lowered for the fourth quarter. For the year, the NDM price forecast has been lowered to \$0.870-\$0.890 per pound. Although the fourth quarter whey price forecast has been lowered slightly, the annual forecast is \$0.450-\$0.460 per pound, unchanged at the midpoint of the range.

Due to stronger cheese prices, the Class III price forecast for 2017 has been raised to \$16.15-\$16.25 per hundredweight (cwt), while lower butter and NDM prices have pushed the Class IV price forecast down to \$15.25-\$15.45 for the year. With offsetting changes in the Class III and Class IV milk prices, the 2017 all-milk price forecast for 2017 is \$17.75-\$17.85 per cwt, unchanged from the previous forecast at the midpoint of the range.

### ***Dairy Forecasts for 2018***

Based on recent data, the 2018 yield-per-cow forecast has been raised to 23,335 pounds, 40 pounds higher than last month. Milk cow numbers have been lowered by 5,000 pounds for the first quarter of 2018, but no changes have been made to the forecasts for the outlying quarters. The milk production forecast for 2018 is 220.4 billion pounds, 0.3 billion pounds more than last month's forecast.

The export forecast for 2018 on a milk-fat basis has been raised 0.4 billion pounds to 9.6 billion, based on expectations for higher butter exports, stemming from expectations that domestic prices will remain competitive with international prices. The forecast for ending stocks in 2018 is unchanged at 12.1 billion pounds. The domestic use forecast on a milk-fat basis is 216.7 billion pounds, 0.4 billion more than last month's forecast, as cheese demand is expected to be strong and lower butter prices are expected to contribute to greater butter consumption.

With higher expected cheese demand, the cheese price forecast for 2018 has been raised to \$1.645-\$1.735 per pound. With recent price declines and higher expected milk production, the butter price forecast has been lowered to \$2.315-\$2.435 per pound. With high stock levels, recent price declines, and higher expected milk production, and continued pressure from international competitors, NDM and dry whey price forecasts for 2018 have been lowered to \$0.815-\$0.885 and \$0.380-\$0.410 per pound, respectively.

With the lower whey price forecast more than offsetting the higher cheese price forecast, the Class III price forecast for 2018 is \$16.00-\$16.90 per cwt, a 10-cent decrease from last month's forecast at the upper end of the range. With lower forecasts for butter and NDM, the Class IV price forecast for 2018 has been lowered to \$14.70-\$15.70. The all-milk price forecast for 2018 is \$17.45-\$18.35 per cwt, a reduction from \$17.55-\$18.55 forecast last month.

Livestock, Dairy, and Poultry Outlook/LDP-M-280/October 18, 2017  
Economic Research Service, USDA

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## Feed Outlook, cont'd from pg. 1

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The projected range for the average corn price received by producers is unchanged from last month with a range of \$2.80 to \$3.60 per bushel. The midpoint price is projected at \$3.20 per bushel, the lowest since the 2006 crop.

NASS's October 12 *Crop Production* report forecasts all U.S. hay production in 2017 at 131.9 million tons, down 2 percent from 2016 as lower yields more than offset a slight increase in area. Based on October 1 conditions, the all-hay yield is expected to be 2.46 tons per acre, down from 2.52 tons per acre in 2016. Harvested acres are forecast at 53.5 million acres, slightly above last year.

Production of alfalfa hay and mixtures is forecast at 56.0 million tons, down from the previous forecast and down 4 percent from 2016. Yields are forecast to average 3.27 tons per acre, lower relative to the 3.45 tons per acre producers harvested in 2016.

Other hay area harvest is lower than last year at 36.4 million acres. The October 12 *Crop Production* report indicates that other hay production is down slightly from the August forecast to 75.9 million tons. Yields are down 0.01 tons per acre to 2.08 tons.

Feed Outlook FDS-17j / October 16, 2017  
USDA Economic Research Service

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**Federal Milk Marketing Order Statistics - September 2017**

Federal Order	Producer Deliveries Million Pounds	Class I Producer Receipts Million Pounds	Class I Utilization Percent	Statistical Uniform Price \$/cwt
<b>1 Northeast</b>	<b>2,179.8</b>	<b>739.3</b>	<b>33.9</b>	<b>17.89</b>
<b>5 <i>Appalachian</i></b>	<b>473.4</b>	<b>341.2</b>	<b>72.1</b>	<b>19.06</b>
<b>6 Florida</b>	<b>202.8</b>	<b>174.2</b>	<b>85.9</b>	<b>21.14</b>
<b>7 Southeast</b>	<b>408.4</b>	<b>312.6</b>	<b>76.6</b>	<b>19.61</b>
<b>30 Upper Midwest</b>	<b>3,189.7</b>	<b>268.4</b>	<b>8.4</b>	<b>16.54</b>
<b>32 Central</b>	<b>1,419.0</b>	<b>408.6</b>	<b>28.8</b>	<b>16.72</b>
<b>33 Mideast</b>	<b>1,616.4</b>	<b>536.3</b>	<b>33.2</b>	<b>17.00</b>
<b>124 Pacific Northwest</b>	<b>717.1</b>	<b>159.5</b>	<b>22.2</b>	<b>16.59</b>
<b>126 Southwest</b>	<b>1,194.4</b>	<b>361.2</b>	<b>30.2</b>	<b>17.58</b>
<b>131 Arizona</b>	<b>397.4</b>	<b>104.7</b>	<b>26.3</b>	<b>16.89</b>
<b>All Orders <sup>1</sup></b>	<b>11,798.4</b>	<b>3,406.1</b>	<b>28.9</b>	<b>17.28</b>

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